

TECUMSEH TOWNSHIP

LENAWEE COUNTY

STATE OF MICHIGAN

FINANCIAL STATEMENTS AND AUDITORS' REPORT

Fiscal Year Ended June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|------------------------------------|---|-------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name TECUMSEH TOWNSHIP | County LENAWEE |
| Fiscal Year End JUNE 30, 2006 | Opinion Date SEPTEMBER 19, 2006 | Date Audit Report Submitted to State 12-7-2006 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☐ ☒ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

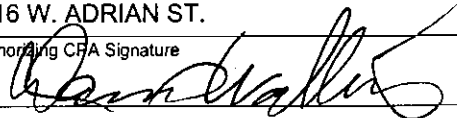
| | | | | |
|--|-------------------------------------|--|-------------|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | | |
| Financial Statements | <input checked="" type="checkbox"/> | | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | | |
| Other (Describe) | <input type="checkbox"/> | N/A | | |
| Certified Public Accountant (Firm Name) DAVID W. WALTERS, P.C., CPA | | Telephone Number (517) 486-4371 | | |
| Street Address 116 W. ADRIAN ST. | | City BLISSFIELD | State MI | Zip 49228 |
| Authorizing CPA Signature  | | Printed Name DAVID WALTERS | | License Number 1101013521 |

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Board of Trustees
Tecumseh Township
Lenawee County, Michigan

We have audited the financial statements of Tecumseh Township, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of Tecumseh Township, as of June 30, 2006 and the revenues received and expenditures paid for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of Tecumseh Township and for filing with the State of Michigan. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


David W. Walters, PC

September 19, 2006

Tecumseh Township
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2006

| | Governmental Fund Types | Fiduciary Trust and Agency | Account Group General Fixed Assets |
|---|-----------------------------|----------------------------------|---|
| | <u>General</u> | <u>Agency</u> | <u>Fixed Assets</u> |
| Assets | | | |
| Cash and Cash Equivalents (Note 3) | \$ 358,323 | 27 | |
| Equipment (Note 4) | | | 38,687 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | \$ <u>358,323</u> | <u>27</u> | <u>38,687</u> |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Due to Other Agency | | \$ 27 | |
| Fund Balance (Note 3) | | | |
| Investment in general fixed assets | | | 38,687 |
| Reserved | 127,509 | | |
| Unreserved: | | | |
| Designated | 106,580 | | |
| Undesignated | <u>124,234</u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Balance | \$ <u>358,323</u> | <u>27</u> | <u>38,687</u> |

The notes to the financial statements are an integral part of this statement.

Tecumseh Township
Combined Statement of Revenue Received, Expenditures Paid and Changes in Fund Balance
All Fund Types and Account Groups
Year Ended June 30, 2006

| | <u>Governmental</u> | <u>Groups</u> |
|--------------------------------|--------------------------|---------------------------------|
| | <u>General</u> | <u>General Fixed Assets</u> |
| Revenues Received | | |
| Taxes | \$ 136,348 | |
| Licenses & permits | 9,898 | |
| State revenue sharing | 109,472 | |
| Interest and penalties | 9,669 | |
| Services & other | 12,518 | |
| Total revenues received | <u>277,905</u> | |
| Expenditures Paid | | |
| General government | 86,856 | |
| Road maintenance | 139,817 | |
| Public safety | 60,000 | |
| Total expenditures paid | <u>286,673</u> | |
| Excess Revenues (Expenditures) | (8,768) | |
| Fund Balance - July 1, 2005 | <u>367,091</u> | <u>38,687</u> |
| Fund Balance - June 30, 2006 | \$ <u><u>358,323</u></u> | <u><u>38,687</u></u> |

The notes to the financial statements are an integral part of this statement.

Tecumseh Township
Combined Statement of Revenues Received, Expenditures Paid and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2006

| | General Fund | | |
|----------------------------------|--------------|---------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues Received | | | |
| Property taxes | \$ 136,000 | 136,348 | 348 |
| Licenses and permits | 9,800 | 9,898 | 98 |
| State revenue sharing | 109,000 | 109,472 | 472 |
| Interest and penalties | 3,600 | 9,669 | 6,069 |
| Services and other | 5,000 | 12,518 | 7,518 |
| Total Revenues Received | \$ 263,400 | 277,905 | 14,505 |
| Expenditures Paid | | | |
| Operating | 31,850 | 25,643 | 6,207 |
| Supervisor | 10,320 | 10,320 | 0 |
| Clerk | 8,880 | 8,880 | 0 |
| Treasurer | 8,880 | 8,880 | 0 |
| Board of Review | 800 | 800 | 0 |
| Zoning Board | 2,200 | 2,200 | 0 |
| Legislative | 5,590 | 5,564 | 26 |
| Assessing | 12,140 | 12,138 | 2 |
| Professional | 3,200 | 3,180 | 20 |
| Building inspection | 8,500 | 8,480 | 20 |
| Drains | 800 | 771 | 29 |
| Fire protection | 60,000 | 60,000 | 0 |
| Road Maintenance | 139,400 | 139,817 | (417) |
| Total expenditures paid | 292,560 | 286,673 | 5,887 |
| Excess Revenues - (Expenditures) | (29,160) | (8,768) | 20,392 |
| Fund Balance - July 1, 2005 | 367,091 | 367,091 | 0 |
| Fund Balance - June 30, 2006 | \$ 337,931 | 358,323 | 0 |

The notes to the financial statements are an integral part of this statement.

Tecumseh Township
Combined Statement of Changes in Assets and Liabilities
All Agency Funds
Year Ended June 30, 2006

| | Balance July 1, 2005 | Additions | Deductions | Balance June 30, 2006 |
|--------------------------|-------------------------|----------------|----------------|--------------------------|
| Assets | | | | |
| Cash in bank | <u>\$ 122</u> | <u>870,225</u> | <u>870,320</u> | <u>\$ 27</u> |
| Liabilities | | | | |
| Due - Other Funds/Agency | 122 | 197,537 | 197,632 | 27 |
| Due - County & State | 0 | 293,921 | 293,921 | 0 |
| Due - Schools | <u>0</u> | <u>378,767</u> | <u>378,767</u> | <u>0</u> |
| | <u>\$ 122</u> | <u>870,225</u> | <u>870,320</u> | <u>\$ 27</u> |

The notes to the financial statements are an integral part of this statement

Tecumseh Township
Notes to Financial Statements
June 30, 2006

1) Summary of Significant Accounting Policies

Tecumseh Township is an unincorporated local unit of government (general law township) governed by the elected Board of Trustees. The Township provides the following services provided by law: General Government, Public Safety (Fire Protection) and Planning and Zoning activities.

Basis of Accounting

The cash basis of accounting is followed by all funds which differs from Generally Accepted Accounting Principles. Generally Accepted Accounting Principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Basis of Presentation: Fund Accounting

The accounts of Tecumseh Township are organized on the basis of funds and account groups, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities. Tecumseh Township uses the following generic fund types in its activities.

Governmental Fund Types

General Fund

The general operating fund of the Township accounts for all financial resources that are not required to be accounted for in the specific revenue funds.

Fiduciary Fund Type

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for other funds and/or other governments. These include Expendable Trust and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Tecumseh Township
Notes to Financial Statements (Continued)
June 30, 2006

1) **Summary of Significant Accounting Policies-Continued**

General Fixed Assets

General fixed assets purchased are recorded as expenditures in the applicable fund at time of purchase. Such assets are capitalized at cost or estimated cost in the general fixed assets group of accounts.

No depreciation has been provided on general fixed assets.

2) **Stewardship, Compliance and Accountability**

Budgetary Information

The Township follows the procedure in establishing the budgetary data reflected in the financial statements in accordance with Uniform Budgeting and Accounting Act (P.A. 621 of 1978). Public hearings are conducted at the Township Hall to obtain taxpayer comments, and prior to June 30, the budget is legally enacted on a departmental basis through passage of a resolution. Formal budgetary integration is employed as a management control device during the year for the General Fund and the budget for the General Fund was adopted on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), at the fund level.

Compliance with P.A. 621, of 1978.

1. **Deficit Fund Balance**

The general fund did not have a deficit balance.

2. **Excess of Expenditures Over Appropriations with Budgetary Funds**

The general fund did not have expenditures in excess of appropriations.

Tecumseh Township
Notes to Financial Statements (Continued)
June 30, 2006

3) **Detail Notes on all Funds**

Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and Corporate bonds and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits are separately displayed on the balance sheet as "Cash".

The carrying amount of the Township's deposits with financial institutions at June 30, 2006 was \$ 358,350 and the bank balance was \$ 358,533. The bank balance is categorized as follows:

| | |
|-----------------------------|-------------------|
| Amounts insured by the FDIC | \$ 100,000 |
| Uncollateralized | <u>258,533</u> |
| Total Bank Balance | \$ <u>358,533</u> |

Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31, and are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund.

The Township is permitted by state law to levy up to \$ 1.00 per \$ 1,000 of equalized valuation for general government services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt, subject to constitutional limitations.

The following is a summary of the tax rates levied on the 2005 tax roll and source of authorization:

Tecumseh Township
Notes to Financial Statements (Continued)
June 30, 2006

Property Taxes - Continued

| Purpose | Authorization | Term | Per \$ 1,000 of State Equalized Value | | Rate Levied |
|---------------------|---------------|-----------|--|---|----------------|
| | | | Authorized Rate (Pre- Rollback)* | Authorized Rate (Post- Rollback)* | |
| Operating | State Law | - | 1.0000 | 0.8166 | 0.8166 |
| Public Safety Voted | | 2003-2005 | 1.0000 | 0.9822 | 0.9822 |

*Rollback refers to the required reduction in millage rates to comply with provisions of state law (211.34d).

Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the Township must account for cumulative revenues over or under expenditures generated by the Township's building department from January 1, 2000 and forward.

The cumulative amounts as of June 30, 2006 are as follows:

| | |
|-------------------------------------|-------------------|
| Cumulative Balance at June 30, 2005 | \$ (2,678) |
| Fees Collected in Fiscal Year 2006 | 9,898 |
| Expenditures in Fiscal Year 2006 | (8,480) |
| Revenues Over (Under) Expenditures | <u>\$ (1,260)</u> |

Detail Listing of Fund Balances for Reserved and Unreserved Balances

A detailed description of Fund Balances at June 30, 2006 is presented below:

| | <u>General Fund</u> |
|----------------------------------|---------------------|
| Fund Balance: | |
| Invested in general fixed assets | \$ 38,687 |
| Reserved For: | |
| Public Safety | 127,509 |
| Unreserved: | |
| Designated For: | |
| Subsequent Year Budget | 40,000 |
| Land Management | 106,580 |
| Undesignated | <u>84,234</u> |
| Total Fund Equity | <u>\$ 397,010</u> |

Tecumseh Township
Notes to Financial Statements (Continued)
June 30, 2006

4) Changes in Fixed Assets

The following is a summary of changes in the general fixed assets account group for the fiscal year:

| | Balance 6/30/05 | Additions | Deletions/ Retirements | Balance 6/30/2006 |
|-------------------------------|--------------------|-----------|---------------------------|----------------------|
| Equipment | \$ 38,687 | | | \$ 38,687 |
| Total General Fixed Assets | \$ 38,687 | 0 | 0 | \$ 38,687 |

5) Commitments & Subsequent Events

The Township has entered into a \$ 60,000 contract for Fire Protection. The Township has also entered into an annual contract with its accessor for \$ 13,332. There are no reportable subsequent events.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of
Tecumseh Township

We have audited the general purpose financial statements of Tecumseh Township, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 19, 2006.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Tecumseh Township, is the responsibility of the Township's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Tecumseh Township complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Township has not complied, in all material respects, with those provisions.

This report is intended for the information of the Township Board, management, and the Department of Treasury. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


David W. Walters, PC

September 19, 2006



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Board of Trustees
Tecumseh Township
Lenawee County, Michigan

We have audited the general purpose financial statements of Tecumseh Township for the year ended June 30, 2006, and have issued our report thereon dated September 19, 2006.

We have conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of Tecumseh Township, for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The Township officials are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted that the tax collections were not always remitted to all of the respective agencies within the prescribed 10 business days after the first and fifteenth day of each month of collecting activity. These amounts not remitted timely were very small and were not an issue with the applicable agencies.

We did not find any other matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

In addition to the above comment concerning internal control we also have the following comments:

1. Consolidate the warrant and the check with dual signatures on the actual check. MCL 41.76 requires that the clerk initiate cash disbursements for all township funds (other than the tax collection fund) with a "warrant" signed by the clerk, and forwarded to the treasurer, who prepares and signs the checks, after board approval.
2. Cash deposited at one financial institution in excess of \$100,000 on demand deposits and \$100,000 in savings and C.D.'s will not be covered by FDIC insurance, therefore, additional or full coverage could be retained through investing Township funds in additional institutions.

This report is intended solely for the information and use of the Tecumseh Township Board, management, and others within the administration. If any questions arise concerning our recommendations or the implementation thereof, we would be pleased to assist in what ever capacity you may require.

We sincerely thank the Tecumseh Township officials for their excellent assistance and cooperation in the conduct of the audit. Thank you for the opportunity to provide these services to the Tecumseh Township.



David W. Walters, PC

September 19, 2006